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Congressional Committees

Warfighter Support: A Cost Comparison of Using State Department Employees versus Contractors for Security Services in Iraq

The U.S. government's reliance on contractors, including the State Department's and Department of Defense's (DOD) use of private security contractors in Iraq, has been well documented. We and others have examined many of the challenges the government faces using contractors in Iraq, including issues related to the scope of private security contractors' activities, the challenges in providing sufficient oversight, the appropriate accountability processes, and difficulties in conducting background screenings of foreign national contractor employees.¹ (A list of related GAO products can be found at the end of this report.) What has not been so well examined is the comparative cost of using civilian employees or military members versus the cost of using contractors, particularly private security contractors, during contingency operations such as Operation Iraqi Freedom. Generally, when costs have been discussed, the focus has been on the daily rate paid to contractor employees, rather than on the total costs of using State Department or DOD personnel. However, in October 2005, the Congressional Budget Office (CBO) issued a study that compared the cost of using military personnel, federal civilians, or contractors to provide logistic support for overseas operations.² The study concluded that over a 20-year period, using Army military units would cost roughly 90 percent more than using the contractor. Also, in an August 2008 report on contractor support in Iraq, the Congressional Budget Office conducted a comparison of one contractor's costs to provide private security services in Iraq versus estimated military costs.³ The report concluded that for the 1-year period beginning June 11, 2004, the costs of the private contractor did not differ greatly from the costs of having a comparable military unit performing similar functions. Because of the broad level of interest by Congress in issues dealing with Iraq, the Comptroller General performed this review under his authority to conduct evaluations on his own initiative. For this engagement, congressional interest specifically focused on determining the costs to the Department of Defense and the State Department of using private security contractors for security services versus using federal employees to provide the same

¹ *Rebuilding Iraq: Actions Needed to Improve Use of Private Security Providers*, GAO-05-737 (Washington, D.C.: July 2005); *Military Operations: Background Screenings of Contractor Employees Supporting Deployed Forces May Lack Critical Information, but U.S. Forces Take Steps to Mitigate the Risk Contractors May Pose*, GAO-06-999R (Washington, D.C.: September 2006).

² CBO, *Logistics Support for Deployed Military Forces* (October 2005).

³ CBO, *Contractors' Support of U.S. Operations in Iraq* Pub. No. 3053 (August 2008).

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services. However, DOD was unable to provide us with the information necessary to address our engagement objective. Although DOD provided some data on military personnel costs,⁴ DOD officials told us they could not provide other data necessary to complete a cost comparison. For example, DOD could not provide information regarding the number and rank of military personnel that would be needed to meet contract requirements. Also, DOD could not provide information on the cost to train personnel to perform the security functions. DOD officials told us that in order to provide data for a cost comparison they would have to form a team from several DOD organizations which would need to analyze each specific contract's requirements to determine the number and rank of personnel needed to meet the requirements. Therefore, we focused our review on the comparison of the State Department's costs to use private security contractors—to perform both personal and static security⁵ functions—as opposed to using State Department employees to perform those same functions.

To address our objective, we reviewed the task orders and contract which provided security in Iraq and that were current when we began our review—four task orders of the Worldwide Personal Protective Services (WPPS) II contracts⁶ and one contract for Baghdad embassy security. We reviewed and analyzed relevant documents to obtain the cost and services provided under each task order and contract. The task orders and contract covered the primary security services provided in Iraq for the State Department. We interviewed officials from the State Department to obtain specific contract information, their estimated cost for providing security services with State Department employees, and any cost comparisons conducted related to private security services.⁷ We met with a private security contractor to discuss their contract cost information and to obtain a detailed contract cost breakdown. We compared the base year obligated amounts for the four task orders and one security contract to total annual costs that the State Department said it would likely incur if the department were to provide the services—based on State Department's assumptions. These assumptions included (1) the State Department would have to recruit, hire, and train new employees who would all be U.S. citizens; (2) the employees would serve 1 year in Iraq and then return to the United States; and (3) the State Department would use the same number of employees the contractors use to provide security. We focused our analysis on the major quantifiable cost components such as salary, benefits, overseas costs, training, recruitment, background screenings,

⁴ In July 2005, we reported on DOD's inability to identify the government's total cost to provide compensation to active duty service members because no single source exists to show the total cost of military compensation. See *Military Personnel: DOD Needs to Improve the Transparency and Reassess the Reasonableness, Appropriateness, Affordability, and Sustainability of Its Military Compensation System*, GAO-05-798 (Washington, D.C.: July 2005).

⁵ Personal security refers to the protective security for high-ranking U.S. government officials, U.S. federal civilian personnel, and other individuals traveling in unsecured areas. Static security refers to the protection of fixed or static sites, such as military bases, housing areas, and reconstruction work sites.

⁶ FAR 16.504 (a) defines the WPPS II contracts as indefinite delivery/indefinite quantity contracts. An indefinite delivery/indefinite quantity contract provides for an indefinite quantity within stated limits, of supplies or services during a fixed period. When services are required the State Department issues a task order which defines the specific requirements and services to be provided by the contractor.

⁷ According to State Department officials, they had not performed an A-76 study or any other cost comparison for these services.

and support. The costs that the State Department provided were in fiscal year 2008 dollars and the costs of the four task orders and the security contract were for earlier time periods. In order to make a similar comparison, we converted the private security costs into fiscal year 2008 dollars so that they could be compared to the fiscal year 2008 costs of the State Department. The State Department also provided the number of contractor personnel performing the security missions for each task order and contract in Iraq. To determine the total average annual cost for the department, the total of each cost component was multiplied by the number of personnel the contractor used to provide the services required under the task orders and contract. Given the State Department's 1-year rotation policy, we added additional costs for stateside employees who would be needed to replace the deployed employees after 1 year. We did not evaluate the quality of the services provided by the contractors or whether better services could be provided by the State Department. We also did not evaluate the policy implications of using contractors to perform security functions. In addition, we did not include the cost of government-furnished equipment provided to the contractor because we believe similar equipment would be needed if the government provided the services. When using contractors, the department also incurs administrative costs for awarding the task orders and contract and providing oversight; however, we also did not include these costs in our analysis because the State Department was unable to provide an estimate of these costs. A detailed discussion of our scope and methodology can be found in appendix I. We conducted our review from October 2008 through October 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objective.

Results in Brief

Our comparison of likely State Department costs versus contractor costs for four task orders and one contract awarded by the State Department for security services in Iraq showed that for three of the task orders and the contract, the cost of using State Department employees would be greater than using contractors, while the State Department's estimated cost to use federal employees was less for the other task order. For example, using State Department employees to provide static security for the embassy in Baghdad would have cost the department approximately \$858 million for 1 year compared to the approximately \$78 million charged by the contractor for the same time period. In contrast, our cost comparison of the task order for providing personal security for State Department employees while in the Baghdad region—which required personnel that have security clearances—showed that for this task order, the State Department's estimated annual cost would have been about \$240 million, whereas the contractor charged approximately \$380 million for 1 year. However, because the State Department does not currently have a sufficient number of trained personnel to provide security in Iraq, the department would need to recruit, hire, and train additional employees at an additional cost of \$162 million. Contract requirements are a major factor in determining whether contractors or government personnel are less expensive—especially factors such as whether personnel need security clearances. However, there are other factors that may play a role in the decision of whether to perform security services with federal employees or

contractors. For example, it generally takes more time to recruit, hire, and train enough federal employees than to acquire contractors. Additionally, the government could potentially be faced with incurring some administrative costs from having to take actions to reduce government personnel if they are no longer needed. When using contractors, the department also incurs administrative costs for awarding the task orders and contract and providing oversight; however, the State Department was unable to estimate these costs. Finally, some costs associated with providing Iraq security services using federal employees—such as developing new career fields, providing additional overhead, and building new housing—are difficult to quantify.

Background

The State Department—under the authority of the Secretary of State—is responsible for the security of most U.S. civilian agency personnel and agency contractors on official duty overseas. Its Bureau of Diplomatic Security (Bureau) is a unique organization that plays an essential role within the department. The Bureau's personnel work together as a team to ensure that the State Department can carry out its foreign policy missions safely and securely around the world. The Bureau of Diplomatic Security has a broad scope of global responsibilities, with protection of people, information, and property as its top priority. Overseas, the Bureau develops and implements security programs to safeguard all personnel who work in every U.S. diplomatic mission around the world. Over the years, the State Department has been unable to provide long-term personal protective services solely from its pool of special agents and it has turned to contractual support. Private security contractors provide a number of security-related functions such as:

- personal security: the protective security for high-ranking U.S. government officials and U.S. federal civilian personnel, and other individuals traveling in unsecured areas;
- convoy security: the protection of convoys traveling in unsecured areas; and
- static security: the protection of fixed or static sites, such as military bases, housing areas, and reconstruction work sites.

In June 2005, the State Department awarded a Worldwide Personal Protective Services II contract to three contractors.⁸ For the purposes of this review, we focused on four task orders associated with this contract which are for security services in Iraq. The four separate task orders—with a 1-year base period and four 1-year options—were awarded to the contractors to provide personal protective services in four regions⁹ of Iraq and for static guard services at the Baghdad WPPS camp. We also examined the Baghdad Embassy Security Forces contract awarded in 2005, which provides 24-hour security of the embassy and its personnel while on the embassy grounds.

⁸ In March 2000, the State Department awarded the first WPPS contract to provide protective services in areas of the former Yugoslavia, the Palestinian Territories (July 2002), and Afghanistan (November 2002). In 2004, task orders under the WPPS contract were issued to provide personal protective services in Iraq.

⁹ The regions were Baghdad, Basrah, Al-Hillah, and Erbil. Four additional task orders provided security services in Jerusalem, Haiti, Kabul, and Bosnia and another task order provided aerial security support in Iraq, which we did not include in our review.

Using Contractors in Iraq Is Less Costly than the Estimated Cost for Using State Department Employees for Four of the Five Cases We Reviewed

Our comparison of likely State Department costs versus contractor costs for four task orders and one contract awarded by the State Department for security services in Iraq showed that for three of the task orders and the contract, the cost of using State Department employees would be greater than using contractors, while the State Department's estimated cost to use federal employees was less for the other task order. For the remaining task order related to providing protective services in the Baghdad region, the State Department's estimated annual cost would have been about \$141 million less than the contractor's cost. Overall, the difference between the contractors' cost and the estimated State Department cost ranged from about \$3 million for one task order to over \$785 million for the contract. For example, using State Department employees to provide static security for the embassy in Baghdad would have cost the department approximately \$858 million for 1 year compared to the approximately \$78 million charged by the contractor for the same time period. Although the State Department had not performed a cost comparison for security services, for our cost comparison, the State Department said it would use 100 percent U.S. citizen employees¹⁰ and would use the same number of personnel the contractor provided to perform the services as a start point for the comparison. However, because the State Department lacks a sufficient number of personnel to provide security in Iraq it would need to hire thousands of new security personnel. Furthermore, under State's rotation policy, U.S. citizen employees typically only serve 1 year in Iraq and then are reassigned to a position in the United States. As such, in order to provide more than 1 year of deployed security services, State Department officials stated they would need to hire additional employees to meet a one-to-one ratio of stateside and deployed employees, which will double some of State's estimated costs to provide security services. These additional employees would need to be hired about 1 year prior to being deployed to allow sufficient time for completing the State Department's training program for Foreign Service agents, which is approximately 1 year.¹¹ The costs to recruit, hire, and train new security personnel are not included in the State Department's cost in table 1; however, these

¹⁰ According to State Department officials, they would be reluctant to hire third-country foreign nationals to provide security in Iraq because the department does not want to be perceived as hiring mercenaries. Additionally, because of security concerns they would be reluctant to hire local nationals to provide security.

¹¹ Training for Diplomatic Security Special Agents (who are federal law enforcement personnel) includes 12 weeks of training at the Federal Law Enforcement Training Center and 13 weeks of training provided by the Bureau of Diplomatic Security which includes driver and firearms training, interrogation techniques, emergency medical training, and training on protective security operations. Additionally, in preparation for their initial overseas assignment, all Diplomatic Security Special Agents attend the 12-week Basic Regional Security Officer Course. The focus of this training is largely on management of Diplomatic Security programs and security operations overseas and includes training in emergency action planning, detecting passport fraud, counterintelligence investigations, and international parental child abductions. Also, an additional 7-week High Threat Tactical Training course is required for those assigned to high-threat posts, such as Iraq and Afghanistan. This course provides training on advanced protective security operations, close quarters battle, small unit tactics, and the management and leadership of protective operations.

The State Department requires its contractors provide 164 hours of training to its employees. The training curriculum is approved by the Department of State and teaches basic personal protective security for a high-threat environment including organization of personal protective service details, motorcade operations, protective security route and site advances, radio procedures, emergency medical training, defensive tactics, and driver training, etc.

costs are detailed in table 3. Table 1 shows our cost comparison for one contract and four task orders using a one-to-one ratio of deployed to stateside employees.

Table 1: State Department versus Private Security Contractor Cost Comparison (\$ in millions)

| Contract / task orders | Number of contractor personnel | Contractor ^a annual cost | State Department annual estimated cost ^b (in fiscal year 2008 dollars) | | | Cost difference |
|--|--------------------------------|-------------------------------------|---|-----------|----------------|------------------|
| | | | Deployed | Stateside | Total | |
| Baghdad Embassy Static Security | 1,982 | \$77.6 | \$681.9 | \$176.5 | \$858.4 | (\$785.1) |
| Baghdad Region Personal Protective Services Task Order | 553 | \$380.4 | \$190.3 | \$49.2 | \$239.5 | \$140.9 |
| Basrah Region Personal Protective Services Task Order | 243 | \$61.6 | \$83.6 | \$21.6 | \$105.2 | (\$43.7) |
| Al-Hillah Region Personal Protective Services Task Order | 259 | \$71.9 | \$89.1 | \$23.1 | \$112.2 | (\$40.3) |
| Erbil Region Personal Protective Services Task Order | 128 | \$52.1 | \$44.0 | \$11.4 | \$55.4 | (\$3.3) |

Source: GAO analysis of State Department data.

^aThe contractor annual costs have been converted into fiscal year 2008 dollars.

^bThe costs to recruit, hire, and train new employees are not included because the State Department would incur costs to acquire new employees before it would incur the additional estimated annual costs in this table.

In addition to the actual cost of the contract and task orders, the State Department would also incur some administrative costs associated with using contractors such as the costs of awarding the task orders and contract and providing oversight. The State Department was unable to provide an estimated cost for the awarding and oversight of contracts. These costs can vary depending on the complexity and sensitivity of the contract. For example, according to State Department officials, the Baghdad Embassy contract provides static security at a fixed site which requires less oversight than the Worldwide Personal Protective Services II contracts which provide for the protective security of U.S. government officials and other individuals traveling in unsecured areas in theatre. As we noted in July 2008,¹² the State Department took steps in Iraq to provide increased oversight for the Worldwide Personal Protective Services II contract after the Nisour Square incident.¹³ For example, the department added 45 special agent positions—allowing a Diplomatic Security agent to accompany most protection movements—and installed cameras and video equipment in security vehicles for improved oversight of security contractors.

¹² *Rebuilding Iraq: DOD and State Department Have Improved Oversight and Coordination of Private Security Contractors in Iraq, But Further Actions are Needed to Sustain Improvements*, GAO-08-966 (Washington, D.C.: July 2008).

¹³ On September 16, 2007, at Nisour Square, contractor employees protecting a diplomatic convoy allegedly fired upon and killed 17 Iraqis.

Costs to Deploy and Sustain Federal Employees Overseas Account for Over One-Half of the State Department's Estimated Costs

Our analysis showed that over one-half of the State Department's estimated costs for deployed employees were to cover costs required to sustain the employees overseas. The State Department's estimated cost to provide security included components such as salaries, benefits, cost of living allowances and overtime, overseas costs, and other support costs associated with deploying and sustaining U.S. citizen employees overseas. Overseas costs included things such as furniture, furnishings and equipment for office spaces and residences, maintenance and repair of living quarters, and travel cost for rest and relaxation for deployed personnel. Estimated costs for State Department employees were calculated by multiplying the State Department's average annual cost for two middle grade Foreign Service agents, one to be deployed and one to be stateside for rotation purposes by the number of personnel needed to perform the mission. As shown in table 2, almost 55 percent of the State Department's deployed employee cost was for overseas related costs, while salaries, benefits, and overtime/cost of living allowances/awards accounted for about 37 percent. Salaries and benefits accounted for all of State Department's estimated stateside employee costs.

Table 2: State Department's per Person Cost Components^a

| Cost component | Deployed employee | | Stateside employee | | Total | |
|--|-------------------|-------------|--------------------|-------------|------------------|-------------|
| | Cost | Percentage | Cost | Percentage | Cost | Percentage |
| Salary | \$65,000 | 18.9% | \$65,000 | 73.0% | \$130,000 | 30.0% |
| Benefits ^b | \$24,050 | 7.0% | \$24,050 | 27.0% | \$48,100 | 11.1% |
| Overtime/cost of living allowances /differential/awards ^c | \$38,000 | 11.0% | \$0 | 0.0% | \$38,000 | 8.8% |
| Overseas costs | \$189,000 | 54.9% | \$0 | 0.0% | \$189,000 | 43.6% |
| Support | \$28,000 | 8.1% | \$0 | 0.0% | \$28,000 | 6.5% |
| Total | \$344,050 | 100% | \$89,050 | 100% | \$433,100 | 100% |

Source: GAO analysis of State Department data.

^aApproximate contractor cost per person was \$39,000 for the Baghdad Embassy Static Security contract; \$688,000 for the Baghdad Region Personal protective Services Task Order; \$253,000 for the Basrah Region Personal Protective Services Task Order; \$278,000 for the Al-Hillah Region Personal Protective Services Task Order; and \$407,000 for the Erbil Region Personal Protective Services Task Order.

^bAbout 37 percent of salary, according to the State Department.

^cCost of living allowance.

The State Department Would Incur Costs to Hire the Number of Personnel Needed to Provide Security Services

In order for the State Department to perform these security missions with its own employees, as shown in table 3, it would cost the State Department approximately \$162 million to recruit, hire, and train 6,330 employees. When determining total costs for the department to provide security services, these recruitment and training costs would be in addition to the State Department's estimated annual cost. Overall, for these four task orders and one contract, the State Department is using 3,165 contractors for security in Iraq. However, the State Department only has about 1,500 security agents who are already performing other missions and according to State Department officials, these agents would not be available to perform the security missions provided by the contractors. According to State Department officials, based

upon recent experience in establishing a new skill specialty, it would take about a year to have the first security personnel on-board; however, they would not be in sufficient numbers to completely replace the contractors. They said it could easily take them 3 years or longer to hire, train, and fully staff all positions necessary to accomplish the mission. As an example of the length of time it would take to hire and mobilize more employees, State Department officials informed us that after the attacks on September 11, 2001, under their current hiring process it took the State Department 2 years to hire 327 employees using existing career fields (to include recruitment, training, and completing the security clearance process).

Table 3: State Department Estimated Cost to Recruit, Hire, and Train Employees

| Cost component | Cost per person | Number of people | Total (\$ millions) |
|---------------------------|-----------------|------------------|---------------------|
| Recruiting | \$6,575 | 6,330 | \$41.6 |
| Training | \$15,000 | 6,330 | \$95.0 |
| Background investigations | \$4,000 | 6,330 | \$25.3 |
| Total | \$25,575 | 6,330 | \$161.9 |

Source: GAO analysis of State Department data.

In response to the Nisour Square incident of September 2007 the State Department recently created a new Security Specialist series to serve up to 5 consecutive years in deployed locations to accompany contractor personnel performing security missions. State Department officials said that hiring employees under this series could be an option for providing security services in Iraq; however, given their recent experience with filling these positions and the number of employees that would be needed, it could be several years before enough employees were hired and trained to perform the security mission, as such, making this an unlikely option. On February 9, 2009, the State Department issued vacancy announcements for Security Protective Specialist and Supervisory Security Protective Specialist positions, which were open until February 17, 2009. As stated in the vacancy announcement, the initial appointment would be for 13 months and may be renewed annually up to 5 years, and the appointment may be terminated by the government at any time upon at least 30 days notice.¹⁴ According to the State Department, the open period was limited to 9 days in an effort to meet senior management's goal to get the individuals hired, trained, and on the ground by the end of summer. Based on their past experience with the Special Agent announcements, the department assumed that the 9-day open period would provide them with more than enough candidates to fill the 25 positions. According to the State Department, while a total of 586 applications were received, after analyses and screening only 92 were found to meet the basic qualifications and 10 have been hired to go to Afghanistan. Nine additional candidates have been cleared for employment or are in the hiring process. Based on the department's experience with the first announcement and feedback from the candidates, the State Department revamped the vacancy announcements to highlight some of the key benefits of the program, such as rest and relaxation travel, separate maintenance allowance, danger

¹⁴ This would provide the State Department flexibility similar to what it has with contractors. However, the State Department would incur other costs such as providing federal employee health insurance, federal employee retirement, and life insurance.

pay, and post differential.¹⁵ In addition, the department amended the experience requirement to more accurately reflect the minimum level of specialized experience required to qualify for the positions. On September 9, 2009, the department opened the revamped vacancy announcements for these positions for 30 days. According to the State Department, a total of 993 applications were received; analyses and screening of the applications began immediately after the announcements closed and interviews will be scheduled with those candidates found to meet the basic qualifications. State Department officials said they would not need to hire additional personnel stateside for rotation of these personnel and this may be an option for providing the security services; however, they said it could take a significant amount of time to fill enough positions needed to provide the security services. To acquire these employees, the State Department would incur a minimum cost of approximately \$81 million for recruiting, hiring, and training 3,165 employees and an additional cost of over \$5 billion—over 5 years—for other costs such as salaries, benefits, awards, overseas costs, and cost of living allowances. For example, for the Baghdad Embassy Security Forces contract, State Department’s estimated cost to recruit, hire, and train 1,982 employees in this series would be about \$51 million and the deployment cost for these employees for 5 years is over \$3 billion. The contractor’s total cost for the Baghdad Embassy Security Forces contract was approximately \$356 million. The State Department’s cost estimates do not include the cost of developing new career fields, as discussed below. Assuming the State Department had enough of these term employees to meet the protective security requirements and using the quantifiable estimated cost, based on our analysis, it would be less costly for the State Department to perform the security mission for two of the four task orders we reviewed.

Contract Requirements Can Influence the Cost of Security Services

Contract requirements are a major factor in determining whether contractors or government personnel are less expensive—especially factors such as whether personnel need security clearances. For instance, unless the State Department specifies a need for personnel with security clearances—which are generally not available to non-U.S. citizens—contractors typically choose to employ a large percentage of third-country nationals and local nationals to lower contract cost. For example, the contractor providing embassy security in Baghdad employed a large percentage of third-country nationals and local nationals (about 89 percent), whose lower wages contributed to the lower cost of the contract. In contrast, our comparison of the task order for providing personal security for State Department employees while in the Baghdad region—which required personnel that have security clearances—showed that for this task order, the State Department’s estimated annual cost would have been about \$240 million, whereas the contractor charged approximately \$380 million for 1 year. Table 4 shows the breakdown of the contractor workforce for the contract and four task orders we reviewed.

¹⁵ Post differential provides additional compensation to employees for service in foreign areas where environmental conditions differ substantially from environmental conditions in the continental United States and warrant additional pay as a recruitment and retention incentive.

Table 4: Nationality of Contractor Workforce

| Contract/task orders | Total contract / task order personnel | U.S. citizens | | Third-country nationals | | Local nationals | |
|--|---------------------------------------|---------------|------------|-------------------------|------------|-----------------|-----------|
| | | Number | Percent | Number | Percent | Number | Percent |
| Baghdad Embassy Static Security | 1,982 | 166 | 8% | 1,623 | 82% | 148 | 7% |
| Baghdad Region Personal Protective Services Task Order | 553 | 553 | 100% | 0 | 0 | 0 | 0 |
| Basrah Region Personal Protective Services Task Order | 243 | 116 | 48% | 127 | 52% | 0 | 0 |
| Al-Hillah Region Personal Protective Services Task Order | 259 | 118 | 46% | 141 | 54% | 0 | 0 |
| Erbil Region Personal Protective Services Task Order | 128 | 102 | 80% | 18 | 14% | 8 | 6% |
| Total | 3,165 | 1,055 | 33% | 1,909 | 60% | 156 | 5% |

Source: GAO analysis of State Department data.

- For the Baghdad Embassy Security Force contract for static security, State Department's estimated annual cost would be over \$785 million more than the contractor's cost if the decision was made to have the State Department provide these services rather than using a contractor. The State Department awarded the contract to provide 24-hour deterrent against unauthorized, illegal, or potentially life-threatening activities directed toward the embassy's employees, visitors, sensitive information, and properties. Under this contract, the contractor was required to recruit, train, and manage the armed professional security personnel and the supervisory employees utilized in this effort. The contractor used 1,982 personnel at a cost of about \$78 million. State Department's estimated cost was about \$858 million (\$682 million for deployed employees and \$176 million for stateside employees to replace the deployed personnel at the end of 1 year). The contractor used 8 percent U.S. citizen employees, 82 percent third-country nationals, and 7 percent local nationals.
- The contractor's cost for the Basrah region task order was less than the State Department's estimated cost. The State Department's estimated cost to provide the security services would be approximately \$44 million more than the contractor's cost if a decision were made to have the State Department provide the service rather than using a contractor. The contractor provided protective security and used 243 personnel at a cost of approximately \$62 million, whereas the State Department's estimated cost would be about \$105 million (\$83 million for deployed personnel and \$22 million for stateside employees to replace the deployed employees). For this task order, the contractor used 48 percent U.S. citizen employees and 52 percent third-country nationals.

- The contractor's cost for security in the Al-Hillah region was less than the State Department's estimated cost for providing the security using federal employees. The contractor's cost was approximately \$40 million less than the State Department's estimated cost. The contractor provided protective security using 259 personnel at a cost of approximately \$72 million. The State Department's estimated cost for the same services was \$112 million (\$89 million for deployed personnel and \$23 million for stateside employees to replace the deployed personnel). The contractor used 46 percent U.S. citizen employees and 54 percent third-country national employees.
- The contractor's cost for security in the Erbil region was also approximately \$3 million less than the State Department's estimated cost for providing the service with federal employees. The contractor provided security services using 128 personnel at a cost of approximately \$52 million. The State Department's estimate to perform the same security would be approximately \$55 million (\$44 million for deployed personnel and \$11 million for stateside employees to replace the deployed personnel.) The nationality of the contractor's workforce was 80 percent U.S. citizen employees, 14 percent third-country nationals, and 6 percent local national employees.

There are other factors that may play a role in the decision of whether to perform security services with federal employees or contractors. For example, it generally takes more time to hire and train enough federal employees than to acquire contractors. Additionally, the government could potentially be faced with having to take actions to reduce the number of government personnel hired if they are no longer needed. In contrast, if the need for the contract no longer existed, the government could terminate the contract.

Some Costs Associated with Providing Iraq Security Services with Federal Employees Are Difficult to Quantify

Some costs associated with providing Iraq security services using federal employees—such as developing new career fields, providing additional overhead, and building new housing—are difficult to quantify. State Department officials said they do not have personnel with some of the skills required to provide security, such as guards, screeners, explosive ordnance detection dog handlers, or armorers. Both overseas and domestically, these services are currently provided by contractors. Therefore, the State Department would incur costs for developing new career fields for these positions. For example, the department would incur the cost for developing a new training curriculum for each of these positions as well as the cost for training facilities and equipment.

A significant increase in the number of State Department diplomatic security personnel would require more administration and oversight from the department because of the increased number of employees to support and supervise. According to State Department officials, if they used State Department employees to provide the security services in Iraq, they would have to build new housing at the embassy for these employees. The officials said that Foreign Service agents are not allowed to live with contractors and the housing currently used by the contractors at the embassy would not be sufficient for the agents. Additionally, the officials stated that currently

there is not enough space on the embassy compound for additional housing. As such, there could be an additional cost for more space—if available—to build housing. Although the State Department recognizes it would incur additional cost for these components, the department was unable to quantify these costs.

Agency Comments and Our Evaluation

We provided both the State Department and DOD with a draft of this report and requested that they provide comments. Both the State Department and DOD advised us that they had no comments on the report. The State Department and DOD provided technical comments which were incorporated as appropriate.

We are sending copies of this report to the Secretary of Defense, the Secretary of State, and the appropriate congressional committees. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-7686 or solisw@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Carole F. Coffey, Assistant Director; Charles W. Perdue, Assistant Director, Applied Research and Methods; Connie W. Sawyer, Jr.; Clarine S. Allen; Alyssa B. Weir; and Chaneé L. Gaskin.

A handwritten signature in black ink, appearing to read 'W. Solis', with a long horizontal flourish extending to the right.

William M. Solis
Director, Defense Capabilities and Management

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Scope and Methodology

To address our objective, we reviewed the task orders and contract which provided security in Iraq and were current when we began our review—four task orders of the Worldwide Personal Protective Services II contracts and one contract for Baghdad embassy security. We reviewed and analyzed relevant documents—including performance statements of work and contract modifications—to identify the cost and services provided under each task order and contract. One task order was awarded to one of the three Worldwide Personal Protective Services (WPPS) II contractors to provide personal protective services in Baghdad and Ramadi and for static guard services at the Baghdad WPPS camp. This task order was awarded for a 1-year base period from May 8, 2006, to May 7, 2007, and four 1-year options. The three other task orders were awarded to the three contractors to provide protective security services in different locations in Iraq for a 1-year base period from August 5, 2006, to August 4, 2007, and four 1-year options. One contractor was responsible for the Basrah region, another for the Al-Hillah region and the other was responsible for the Erbil region.¹⁶ We also reviewed the Baghdad Embassy Security Forces contract which was awarded to the contractor performing security in the Basrah region. The contractor was to provide a 24-hour deterrent against unauthorized, illegal, or potentially life-threatening activities directed toward the embassy's employees, visitors, sensitive information, and properties. Also, the contractor was required to recruit, train, and manage the armed professional security personnel and the supervisory employees utilized in this effort. We discussed with State Department officials their roles and responsibilities related to security contracts that support the department's missions in Iraq. We asked the officials to identify the various cost components within the task orders and contract and to provide specific task order and contract information, including cost and the number of contractor personnel. We also asked if they had performed any cost comparisons related to providing similar security services as the contractors. Although the State Department had not performed a cost comparison for security services, for our cost comparison, the State Department's assumptions included (1) the State Department would have to recruit, hire, and train new employees who would all be U.S. citizens; (2) the employees would serve 1 year in Iraq and then return to the United States; and (3) the State Department would use the same number of employees the contractors use to provide security. We asked officials to provide us with their annual estimated per person costs to perform security services in deployed locations. The officials pulled information from the department's accounting system and provided us with the average annual cost—by various components—for current Foreign Service agents providing security services in deployed locations. The State Department's estimated cost to provide security included components such as salaries, benefits, cost of living allowances and overtime, overseas cost, recruitment, training, and other support costs. For our cost comparison of contractor cost versus State Department estimated annual cost, we focused our analysis on major quantifiable cost components such as salary, benefits, overseas costs, and support. We also computed additional cost to recruit, hire, and train new security employees.

¹⁶ Task orders 2-5 provide security services in Jerusalem, Haiti, Kabul, and Bosnia, respectively, while task order 10 provides aerial security support in Iraq, which we did not include in our review.

The State Department provided the number of contractor personnel performing the security missions for each task order and contract in Iraq and said this would be the number of personnel they would need to perform the mission. To determine the total average annual cost for the department, we multiplied the number of personnel by the average per person cost for a deployed State Department Foreign Service agent. Given the State Department's rotation policy, we added additional costs for stateside agents to replace the deployed agents. We compared the obligated amounts for the four task orders and one security contract to the total costs that the State Department said it would likely incur if the department were to provide the services—based on the previously discussed assumptions. The costs that the State Department provided were in fiscal year 2008 dollars and the costs of the four task orders and the security contract were for earlier time periods. In order to make similar comparison, we converted the private security costs into fiscal year 2008 dollars so that they could be compared to the fiscal year 2008 costs of the State Department.

We identified other cost components which impact the total cost of the State Department providing security services, such as creating new career fields, cost of additional overhead, and cost for building new housing. However, these cost components were not easily quantifiable because the department was unable to estimate the future long-term costs of these components. As such we were unable to include these costs in our review.

To understand contractor cost components, we reviewed and analyzed the Iraq contract and task orders to obtain the cost for services provided under each contract and task order and we held discussions with one of the private security contractors to better understand their cost for providing private security services, as well as the different cost components included in their contract. Some of the major cost components identified by the contractor include labor, training, life support (housing, laundry, meals), basic individual items (uniforms, body armor, boots), mobilization, rotation travel (for rest & relaxation), weapons & ammunition, vehicle & transportation (armored/unarmored vehicles), equipment transport costs (shipment of basic individual items), direct insurance costs, and other equipment (medical supplies, radios/communications, internet access, night vision goggles, security/surveillance equipment). According to the contractor, these cost components are the primary cost drivers in their offer to the government when submitting a proposal.

We did not evaluate the quality of the services provided by the contractors or whether better services could be provided by the State Department. We also did not evaluate the policy implications of using contractors to perform security functions. In addition, we did not include the cost of government-furnished equipment provided to the contractor because we believe similar equipment would be needed if the government provided the services.

We conducted our review from October 2008 through October 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objective.

Related GAO Products

Contingency Contract Management: DOD Needs to Develop and Finalize Background Screening and Other Standards for Private Security Contractors. GAO-09-351. Washington, D.C.: July 31, 2009.

Rebuilding Iraq: DOD and State Department Have Improved Oversight and Coordination of Private Security Contractors in Iraq, But Further Actions are Needed to Sustain Improvements. GAO-08-966. Washington, D.C.: July 31, 2008.

Defense Contracting: Army Case Study Delineates Concerns with the Use of Contractors as Contract Specialists. GAO-08-360. Washington, D.C.: March 26, 2008.

Military Operations: Implementation of Existing Guidance and Other Actions Needed to Improve DOD's Oversight and Management of Contractors in Future Operations. GAO-08-436T. Washington, D.C.: January 24, 2008.

Military Personnel: DOD Needs to Establish a Strategy to Improve Transparency over Reserve and National Guard Compensation to Manage Significant Growth in Cost. GAO-07-828. Washington, D.C.: June 20, 2007.

Rebuilding Iraq: Actions Still Needed to Improve the Use of Private Security Providers. GAO-06-865T. Washington, D.C.: June 13, 2006.

Peacekeeping: Cost Comparison of Actual UN and Hypothetical U.S. Operations in Haiti. GAO-06-331. Washington, D.C.: February 21, 2006.

Rebuilding Iraq: Actions Needed to Improve Use of Private Security Providers. GAO-05-737. Washington, D.C.: July 28, 2005.

Military Personnel: DOD Needs to Improve the Transparency and Reassess the Reasonableness, Appropriateness, Affordability, and Sustainability of Its Military Compensation System. GAO-05-798. Washington, D.C.: July 19, 2005.

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